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July 1, 2010

AZ CORP COM 1
DOCKET CONTROL

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Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007Re: Docket No. E-01933A-07-0401, Decision No. 70459
Request for Continuation of the Efficient Commercial Building Design Program

Decision No. 70459 (August 6, 2008) approved Tucson Electric Power Company's ("TEP" or "Company") Efficient Commercial Building Design Demand-Side Management Program ("Program") as a two year pilot. Decision No. 70459 required TEP to "make a filing with the Commission by July 1, 2010, that includes information on baseline construction practices of commercial buildings." The Program was implemented on November 1, 2008. Information and application forms were posted to the Company's website, and a press release was sent out announcing the Program to the community. Marketing materials were developed for distribution to owners/developers and architects.

There were no participating customers in the Program in 2008 due to the late implementation date. In 2009, TEP paid two customer incentives for building performance, and one for design assistance. A breakdown of program expenses for 2009 is shown below:

Rebates & Incentives	\$ 18,513
Program Implementation	\$ 116,020
Program Marketing	\$ 888
Planning & Administration	\$ 18,087
Total Program Cost	\$ 153,507

Through May 2010, TEP received six applications for building performance incentives and one application for a design assistance incentive. To date, TEP has paid four incentives for building performance and one incentive for design assistance. A breakdown of program expenses through May 2010 is shown below:

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Rebates & Incentives	\$19,961
Program Implementation	\$ 29,002
Planning & Administration	\$ 746
Total Program Cost	\$ 49,709

Pursuant to Decision No. 70459, TEP has conducted a Baseline Study of practices for Commercial New Construction in the TEP service territory, attached as Exhibit 1. This study is being provided directly to Arizona Corporation Commission Staff. The study shows that aside from federal or other government buildings which are mandated to build to exceed code, commercial new construction in the Tucson area is generally built to code. Some key recommendations from the study are:

- As federal and other government buildings are mandated to build to exceed code, modify applications to determine whether the building is private or public and perhaps require higher savings for public buildings;
- Provide education to the building industry to define an integrated design approach and help this to become standard practice;
- Consider adding a prescriptive path to the program to provide incentives for specific technologies; and
- Educate architects about life-cycle costs and how to market these ideas to clients, educate owners who are buying from private developers, and educate the market about considering life cycle costs versus first costs in determining the value of a building.

The Company believes that two years is an insufficient time period to evaluate the acceptance of the Program and requests to continue the Program for an indefinite period to allow TEP to continue marketing the Program. Participation is increasing and TEP expects greater interest as the economy begins to recover and more funding is made available to developers.

If you have any questions regarding this filing, please contact me at (520) 884-3680.

Best Regards,



Jessica Bryne
Regulatory Services

Cc: Compliance, ACC
Terri Ford, ACC (with Exhibit 1)
Jeff Pasquinelli, ACC (with Exhibit 1)